MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 3, 2022/2023**

## BAC1074 – ETHICS AND GOVERNANCE

(All Sections/ Groups)

2 OCTOBER 2023

9.00 am – 11.00 am
(2 Hours)

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## INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages excluding cover page with 4 Questions only.
2. Answer all **FOUR** questions. Mark distribution for each question is given.
3. Please write all your answers in the Answer Booklet provided.

## QUESTION 1

The Fédération Internationale de Football Association (FIFA) is the governing body for world football. In 2015, the high-ranking FIFA officials were accused of accepting bribes and kickbacks in exchange for influencing the selection of host countries for the FIFA World Cup and awarding broadcasting rights. FIFA scandal, also known as FIFA Gate, exposed widespread corruption, bribery and unethical behaviors among top officials of the international soccer governing body, FIFA. The scandal came to light with the arrest of several executives on charges of racketeering, fraud, and money laundering. It revealed a history of illicit activities, including bribery for tournament hosting rights. The scandal led to the resignation of FIFA's long-standing president and prompted calls for reforms in the organization's governance and ethics.

**Required:**

(a) Show the EIGHT (8) steps of the Ethical Decision Making framework. (8 marks)

(b) Based on the answer in (a), apply the first FOUR (4) steps to further elaborate and solve the ethical problems in the FIFA case above. (11 marks)

(c) Explain THREE (3) ethical misconduct in the FIFA corruption scandal of 2015. (6 marks)

**[TOTAL 25 MARKS]**

## QUESTION 2

**Part A**

**Unhealthy Work Competition**

Ali and Rama are office mates for the last 12 years in Mercu Berhad, a telecommunication company. One day, the Chief Executive Officer of Mercu Berhad informed them that a new position, General Manager of Procurement Department, had been created and that he intended to interview Ali and Rama to fill that position. Ali was initially not interested in the new position but when he heard that the salary offered would be four times his current salary, he changed his mind. On the day of the interview, Ali brought to the interviewers' attention losses the company made seven years ago, when Rama was heading up a project. Even though Ali knew the losses were due to the economic crisis at that time, he hoped to sabotage Rama's chances of being selected for the new position.

**Required:**

Evaluate Ali's action based on the Egoism theory. (4 marks)

**Continued....**

**Part B**

**Housing Development Fallen Standards**

Haziq works at a housing development company as a project manager. As a project manager, he is responsible on the financial and non-financial issues of the project. Currently, he is responsible to ensure that the biggest investment of Orkid Berhad to develop a residential area called 'Project Villa Langkapuri' in Puncak Alam, Selangor, follows the prescribed plan and will be completed within the bydget. The project will take three years to be completed with a total cost of RM10 million. His salary and bonus depend on his capabilities to handle this project. Haziq recently received a report from the appointed site consultant requiring the company to undertake an additional soil treatment for 30 villas due to unexpected soft soil conditions. However, the budget of RM2 million for the soil treatment was not included in the original plan. The Head of Engineer of Orkid Berhad also issued a notice that if the soil treatment is not performed, the villa would slowly sink after three years and eventually facing the risk of collapsing in due course. Haziq decided not to proceed with the soil treatment since the warranty given by Orkid Berhad to all villa purchasers is only valid for a period of two years. Until such time, the company would no longer be responsible for any defect on the villa purchased.

**Required:**

Evaluate Haziq's decision based on the Utilitarianism theory. (6 marks)

**Part C**

Financial services firms which include banks, brokerage firms, mutual and pension funds, and financial planners, act primarily as financial intermediaries by enabling their clients to consummate transactions rather than by engaging in the transactions themselves. In acting as intermediaries, these firms become agents or fiduciaries with certain obligations or duties. In addition to the ethical issues that arise for agents and fiduciaries, financial services firms are engaged in selling various services and products to their customers or clients and thus encounter ethical issues in their sales practices and other operations.

**Required:**

Describe the ethical issues that may arise during financial contracting in finance industry. (10 marks)

**Part D**

Briefly explain the concept of common rule of thumb and provide an example. (5 marks)

**[TOTAL 25 MARKS]**

**Continued....**

## QUESTION 3

### AIRHOME Berhad in Dilemma

Leon is the Chief Executive Officer (CEO) of AIRHOME Berhad, a domestic airline company. In the recent years, AIRHOME's operational costs have escalated, resulting in a huge decline in profits. A fall in the Malaysian Ringgit has caused AIRHOME's main competitor to offer cheap airline tickets with a variety of inflight and terminal services. Leon received many complaints from shareholders and because of this, he is considering downsizing AIRHOME's business operations by selling three aircrafts and terminating 1,500 employees comprising administration staff, the in-flight crew and staff from the administration, technical and marketing divisions, without paying any compensation or conducting any voluntary separation scheme (VSS).

By embarking on these actions, operational costs would reduce by 70% while market share, sales volume and profit would increase by 50%. Eventually, shareholders' dividends would increase. Nevertheless, Leon realizes that AIRHOME is one of the companies in the country that provides employment opportunities. He knows that taking these actions will cause economic disruption since customers will be affected by the reduced service level provided by AIRHOME and employees' services would have to be terminated thus, increasing the unemployment rate in Malaysia.

**Required:**

a) Discuss Leon's ethical dilemma. (4 marks)

b) Applying the Modified Five Question Approach or Tucker analysis, evaluate the cost reduction actions that Leon is considering. (15 marks)

c) Discuss THREE (3) ways in which Leon could help to protect employees' right in carrying out the lay-off exercise. (6 marks)

**[TOTAL 25 MARKS]**

## QUESTION 4

**Part A**

AirAsia's website states the basic principle of AirAsia as follows: "The founding principle of AirAsia is to be aware at all times that we are engaged in a business where the responsibility of people's lives is in our hands. We safeguard that responsibility through the safety and quality of our operations. We operate with the highest level of integrity, striving to exceed industry standards in a proactive manner while doing so with respect to others and the environment."

**Continued....**

**Required:**

a) Explain FIVE company's values or hyper norms of AirAsia Berhad. (10 marks)

b) Determine FIVE benefits incorporating ethics in the company's policy. (5 marks)

**Part B**

Scenario A:
You are an investment performance analyst for a fund management company. After providing client account investment performance reports to the client-facing departments, you notice the reporting system missed a trade. These reports have not been finalised and released to clients. Correcting the omission in the report will result in a huge loss for a client. This client had previously expressed concern about the under-performance of its funds under your firm's management and expressed that it may terminate the contract with your firm if these investments continue to underperform.

Scenario B:
You are a senior manager of a bank in charge of the corporate lending department. You are responsible for the oversight of the approvals of loans, loan documentation, risk assessment, valuation and models and all other areas associated with corporate banking. You have delegated each of the tasks mentioned above to specific teams. It has recently been brought to your attention that a particular loan that did not pass the risk assessment test had been approved and that you had signed off on it. The loan is now being processed for documentation and the client had been informed that the loan was approved.

**Required:**

Based on both scenarios above, describe each situation from the perspective of integrity.
(10 marks)

**[TOTAL 25 MARKS]**

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